

KINGMAN AIRPORT AUTHORITY, INC.

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2002

KINGMAN AIRPORT AUTHORITY, INC.  
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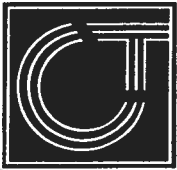
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# CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the  
Kingman Airport Authority, Inc.

We have audited the accompanying general-purpose financial statements of the Kingman Airport Authority, Inc. (Authority), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kingman Airport Authority, Inc. as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The schedule of net income listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2002 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

September 16, 2002

## General-Purpose Financial Statements

KINGMAN AIRPORT AUTHORITY, INC.  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
<b>Assets</b>	
Cash and investments	\$ 1,104,223
Accounts receivable	56,592
Intergovernmental receivable	20,648
Deposits	918
Fixed assets (net of accumulated depreciation)	8,462,765
Intangible assets (net of accumulated amortization)	24,691
Total Assets	<u>\$ 9,669,837</u>
<b>Liabilities and Fund Equity</b>	
<b>Liabilities</b>	
Accounts payable	\$ 19,229
Notes payable	483,987
Total Liabilities	<u>503,216</u>
<b>Fund Equity</b>	
Contributed capital	8,933,076
Retained earnings	
Unreserved	233,545
Total Fund Equity	<u>9,166,621</u>
Total Liabilities and Fund Equity	<u>\$ 9,669,837</u>

The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
 ALL PROPRIETARY FUND TYPES  
 YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues	
Leases	\$ 392,267
Total operating revenues	<u>392,267</u>
Operating expenses	
Personnel	214,291
Payroll taxes and benefits	66,611
Office expense	18,739
Professional services	49,889
Maintenance and repairs	75,480
Motor pool	8,491
Operation expense	228,562
Depreciation	411,729
Amortization	<u>4,116</u>
Total operating expenses	<u>1,077,908</u>
Operating income (loss)	<u>(685,641)</u>
Nonoperating revenues (expenses)	
Contributions and donations	94,060
Interest revenue	29,089
Application fees	21,800
Land sales	473,086
Miscellaneous revenues	4,316
Interest expense	<u>(24,690)</u>
Total nonoperating revenues (expenses)	<u>597,661</u>
Net income (loss)	(87,980)
Retained earnings, beginning of year	<u>321,525</u>
Retained earnings, end of year	\$ <u>233,545</u>

The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.  
 COMBINED STATEMENT OF REVENUES AND EXPENSES -  
 BUDGET AND ACTUAL - (BUDGETARY BASIS)  
 ALL PROPRIETARY FUND TYPES  
 YEAR ENDED JUNE 30, 2002

	Enterprise		Variance
	Budget	Actual	Favorable (Unfavorable)
Operating revenues			
Leases	\$ 382,573	\$ 392,267	\$ 9,694
Intergovernmental	2,231,801	615,712	(1,616,089)
Contributions and donations	94,000	94,060	60
Interest revenue	18,000	29,089	11,089
Application fees	10,600	21,800	11,200
Land sales	222,500	473,086	250,586
Miscellaneous revenues	301,000	4,316	(296,684)
Total operating revenues	<u>3,260,474</u>	<u>1,630,330</u>	<u>(1,630,144)</u>
Operating expenses			
Personnel	217,384	214,291	3,093
Payroll taxes and benefits	61,130	66,611	(5,481)
Office expense	17,750	18,739	(989)
Professional services	50,500	49,889	611
Maintenance and repairs	41,500	75,480	(33,980)
Motor pool	12,800	8,491	4,309
Operation expense	155,160	228,562	(73,402)
Debt service	50,000	51,685	(1,685)
Capital outlay	744,500	734,976	9,524
Total operating expenses	<u>1,350,724</u>	<u>1,448,724</u>	<u>(98,000)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 1,909,750</u>	<u>\$ 181,606</u>	<u>\$ (1,728,144)</u>

The accompanying notes to financial statements are an integral part of this statement.



KINGMAN AIRPORT AUTHORITY, INC.  
COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 2002

	Enterprise
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
Cash flows from operating activities	
Cash received from customers	\$ 398,810
Cash payments to employees for services	(282,530)
Cash payments to suppliers for goods/services	(381,161)
Contributions and donations	94,060
Application fees	21,800
Miscellaneous revenues	4,316
Net cash used by operating activities	<u>(144,705)</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(1,031,106)
Principal paid on capital leases	(994)
Interest paid on capital leases	(40)
Principal paid on notes payable	(26,001)
Interest paid on notes payable	(24,650)
Capital grants received	739,155
Proceeds from sale of land	473,086
Net cash provided by capital and related financing activities	<u>129,450</u>
Cash flows from investing activities	
Interest	<u>29,089</u>
Net cash provided by investing activities	<u>29,089</u>
Net increase in cash and cash equivalents	13,834
Cash and cash equivalents at beginning of year	<u>1,090,389</u>
Cash and cash equivalents at end of year	<u>\$ 1,104,223</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>	
Cash and investments per the balance sheet	\$ 1,104,223
Total	<u>\$ 1,104,223</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (685,641)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	415,845
Contributions and donations	94,060
Application fees	21,800
Miscellaneous revenues	4,316
(Increase) decrease in operating assets	
Accounts receivable	6,543
Increase (decrease) in operating liabilities	
Accrued payroll	(1,628)
Net cash used by operating activities	<u>\$ (144,705)</u>

The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The Kingman Airport Authority, Inc. was incorporated in the State of Arizona in July 1992, as a nonprofit corporation. The Authority operates, maintains, and manages the Kingman Airport and Industrial Park for the City of Kingman. The Authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airport and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property at no cost from the City of Kingman under a long term lease. Primary sources of funding for the authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include management, maintenance, and development of the Kingman Airport and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman with the responsibility of carrying out the function of airport management.

The financial statements of the Kingman Airport Authority, Inc. (Authority) conform to U.S. generally accepted accounting principles as applicable to governmental units. The more significant of the Authority's accounting policies are described below.

**Reporting Entity** - In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in U.S. generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

KINGMAN AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*

**Fund Accounting** - The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

*Proprietary Fund*

**Enterprise Fund** - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Measurement Focus** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on their balance sheets. The measurement focus is upon the determination of net income, financial position and changes in financial position.

**Basis of Accounting** - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Proprietary Funds are accounted for using the accrual basis of accounting. The Authority applies all applicable FASB pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

**Budgetary Accounting** - The Authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See Note 10 for reconciliation.)

KINGMAN AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)*

**Cash Equivalents** - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investment with original maturities of three months or less meet this definition.

**Investments** - Investments in securities are stated at fair value in accordance with GASB Statement No. 31.

**Property, Plant and Equipment** - Property, plant and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant and equipment is recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation of property, plant and equipment is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

*NOTE 2 - CASH AND INVESTMENTS*

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

The Authority's investments consisted of certificates of deposit in an eligible depository and are reflected in the Combined Balance Sheet. The Authority's total investments at June 30, 2002 were \$505,625. Investments are stated at fair value.

Cash and investment at June 30, 2002 consist of the following:

Cash on hand	\$ 175
Cash in bank	598,423
Certificates of deposit	<u>505,625</u>
Total cash and investments	
on the combined balance sheet	<u>\$ 1,104,223</u>

Cash and investments at June 30, 2002 were entirely insured or collateralized with securities held by the Authority's custodial bank in the Authority's name.

KINGMAN AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 3 - PROPRIETARY FUND FIXED ASSETS*

The following is a summary of proprietary fund fixed assets at June 30, 2002:

Land and improvements	
Airport	\$ 7,568,675
Industrial park	3,156,117
Buildings and improvements	
Airport	1,182,907
Industrial park	-0-
Furniture, machinery and equipment	278,223
Less: accumulated depreciation	<u>(3,723,157)</u>
Net fixed assets	<u>\$ 8,462,765</u>

The following estimated useful lives are used to compute depreciation:

Land and improvements	10-30 years
Buildings and improvements	7-30 years
Furniture, machinery and equipment	3-8 years

Depreciation expense for the fiscal year totalled \$411,729.

*NOTE 4 - INTANGIBLE ASSETS*

The following is a summary of intangible assets recorded in the Enterprise Fund which consist of site plans and a promotional video and are being amortized over periods from 7 to 15 years on a straight-line basis:

Intangible assets	\$ 76,734
Less: accumulated amortization	<u>(52,043)</u>
Net intangible assets	<u>\$ 24,691</u>

Amortization expense for the fiscal year totaled \$4,116.

KINGMAN AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 5 - LINE OF CREDIT PAYABLE*

The Authority has a line of credit with a local financial institution to provide short-term cash flow up to \$150,000. There was no balance outstanding at June 30, 2002.

*NOTE 6 - NOTES PAYABLE*

Notes payable at June 30, 2002, consisted of the following. Principal and interest requirements at June 30, 2002, were as follows:

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 2001</u>	<u>Issues</u>	<u>Retirements</u>	<u>Outstanding Principal June 30, 2002</u>
Bank Loan	4.9	6/15/15	<u>\$ 509,988</u>	<u>\$ -0-</u>	<u>\$ (26,001)</u>	<u>\$ 483,987</u>

The future debt service requirements to maturity including \$171,360 of interest, are as follows:

Year ended June 30,	
2003	\$ 50,411
2004	50,411
2005	50,411
2006	50,411
2007	50,411
Thereafter	<u>403,292</u>
	<u>\$ 655,347</u>

*NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES*

The Authority acquired a copier under the provisions of a long-term lease agreement classified as a capital lease. Accordingly, the principal amount of the asset, totaling \$7,872, was capitalized in the Enterprise Fund. The lease was paid off during the fiscal year.

KINGMAN AIRPORT AUTHORITY, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
 FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)*

A summary of the changes in capital lease obligations resulting from purchases of items capitalized in the Enterprise Fund follows.

<u>Assets Acquired</u>	<u>Balance July 1, 2001</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance June 30, 2002</u>
Equipment	<u>\$ 994</u>	<u>\$ -0-</u>	<u>\$ (994)</u>	<u>\$ -0-</u>

*NOTE 8 - CONTRIBUTED CAPITAL*

Contributed capital increased by the following amounts:

Contributed capital, July 1, 2001	\$ 8,317,364
Capital grants received	<u>615,712</u>
Contributed capital, June 30, 2002	<u>\$ 8,933,076</u>

*NOTE 9 - LEASE REVENUES*

As discussed in Note 1, the Authority subleases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-five years. Most leases extending over a one year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

Minimum future rental to be received on non-cancelable leases as of June 30, 2002, for each of the next five years and in the aggregate are:

Year ended June 30,	
2003	\$ 43,790
2004	25,790
2005	21,540
2006	20,100
2007	20,100
Thereafter	<u>112,383</u>
Total minimum future rentals	<u>\$ 243,703</u>

KINGMAN AIRPORT AUTHORITY, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 10 - BUDGETARY BASIS OF ACCOUNTING*

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

	<u>Enterprise Fund</u>	
	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	\$ 392,267	\$ 1,077,908
Nonoperating revenues and expenses	622,351	24,690
Adjustments to present data on the budgetary basis - additions	615,712	761,971
subtractions	<u>                    </u>	<u>(415,845)</u>
Combined Statement of Revenues and Expenses - Budget and Actual - (Budgetary Basis)	<u>\$ 1,630,330</u>	<u>\$ 1,448,724</u>

*NOTE 11 - RISK MANAGEMENT*

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents.



KINGMAN AIRPORT AUTHORITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2002

*NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN*

The Authority's 401(a) Retirement Plan is a defined contribution pension plan established by the Authority and administered by Nationwide Life Insurance to provide benefits at retirement to all full-time employees of the Authority. At June 30, 2002, there were four plan members. Plan members are required to contribute 6% of covered salary. The Authority is also required to contribute 6% of covered salary. Plan provisions and contribution requirements are established and may be amended by the Authority's governing board. Covered payroll for the year totalled \$158,956. Employee contributions totalled \$9,537 and employer contributions totalled \$9,537 for the year.

*NOTE 13 - FAA COMMITMENT FOR FUTURE IMPROVEMENTS*

The Authority is obligated by the Federal Aviation Administration to invest an amount equal to the proceeds of land sales at the Kingman Industrial Park in improvements to and operations of the Kingman Airport within five years from the date of the sale. The amount obligated to be spent for airport improvements and operations at June 30, 2002, is \$0. The Authority complied with all regulations regarding its sale of land at the Kingman Airport and Industrial Park during the 2001-02 fiscal year.

Changes in the commitment for future improvements during the year ended June 30, 2002, were as follows:

Balance, beginning of year	\$ -0-
Add: land sales during year	473,086
Deduct: expenses at Kingman Airport	<u>(473,086)</u>
	<u>\$ -0-</u>

## SUPPLEMENTARY SCHEDULE

KINGMAN AIRPORT AUTHORITY, INC.  
ENTERPRISE FUND  
SCHEDULE OF NET INCOME  
YEAR ENDED JUNE 30, 2002

	Airport	Industrial Park	Total
Operating revenues			
Leases	\$ 349,203	\$ 43,064	\$ 392,267
Total operating revenues	<u>349,203</u>	<u>43,064</u>	<u>392,267</u>
Operating expenses			
Personnel	106,887	107,404	214,291
Payroll taxes and benefits	35,014	31,597	66,611
Office expense	9,940	8,799	18,739
Professional services	16,352	33,537	49,889
Maintenance and repairs	44,335	31,145	75,480
Motor pool	4,370	4,121	8,491
Operation expense	140,298	88,264	228,562
Depreciation	271,190	140,539	411,729
Amortization	4,116	-	4,116
Total operating expenses	<u>632,502</u>	<u>445,406</u>	<u>1,077,908</u>
Operating income (loss)	<u>(283,299)</u>	<u>(402,342)</u>	<u>(685,641)</u>
Nonoperating revenues (expenses)			
Contributions and donations	-	94,060	94,060
Interest revenue	6,097	22,992	29,089
Application fees	400	21,400	21,800
Land sales	-	473,086	473,086
Miscellaneous revenues	3,209	1,107	4,316
Interest expense	(24,690)	-	(24,690)
Total nonoperating revenues (expenses)	<u>(14,984)</u>	<u>612,645</u>	<u>597,661</u>
Net income (loss)	<u>\$ (298,283)</u>	<u>\$ 210,303</u>	<u>\$ (87,980)</u>

## **SINGLE AUDIT ACT REPORTS SECTION**



# CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
Kingman Airport Authority, Inc.

We have audited the general-purpose financial statements of Kingman Airport Authority, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated September 16, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether Kingman Airport Authority, Inc.'s general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered the Kingman Airport Authority, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

September 16, 2002



# CRONSTROM & TRBOVICH

CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
Kingman Airport Authority, Inc.

We have audited the compliance of the Kingman Airport Authority, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The Kingman Airport Authority, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Kingman Airport Authority, Inc.'s management. Our responsibility is to express an opinion on the Kingman Airport Authority, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kingman Airport Authority, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Kingman Airport Authority, Inc.'s compliance with those requirements.

In our opinion, the Kingman Airport Authority, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

The management of the Kingman Airport Authority, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Kingman Airport Authority, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the general-purpose financial statements of the Kingman Airport Authority, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated September 16, 2002. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Cronstrom & Trbovich, P.C.*

Cronstrom & Trbovich, P.C.

September 16, 2002



KINGMAN AIRPORT AUTHORITY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2002

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance  
for major programs: *unqualified*

Any audit findings disclosed that are  
required to be reported in accordance  
with Circular A-133, Section .510(a)? \_\_\_\_\_ yes   X   no

Identification of major programs:

CFDA Number(s)  
20.106

Name of Federal Program or Cluster  
Airport Improvement Program

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

KINGMAN AIRPORT AUTHORITY, INC.  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FISCAL YEAR ENDED JUNE 30, 2002

**SECTION II—FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None noted.

KINGMAN AIRPORT AUTHORITY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2002

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106	N/A	\$ 18,082
Airport Improvement Program	20.106	N/A	490,191
Airport Improvement Program	20.106	N/A	15,190
			<u>\$ 523,463</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			